



## Doing Business in MADAGASCAR: 2010

### Country Commercial Guide for U.S. Companies

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- [Chapter 1: Doing Business In Madagascar](#)
- [Chapter 2: Political and Economic Environment](#)
- [Chapter 3: Selling U.S. Products and Services](#)
- [Chapter 4: Leading Sectors for U.S. Export and Investment](#)
- [Chapter 5: Trade Regulations and Standards](#)
- [Chapter 6: Investment Climate](#)
- [Chapter 7: Trade and Project Financing](#)
- [Chapter 8: Business Travel](#)
- [Chapter 9: Contacts, Market Research and Trade Events](#)
- [Chapter 10: Guide to Our Services](#)

[Return to table of contents](#)

## Chapter 1: Doing Business in Madagascar

- [Market Overview](#)
- [Market Challenges](#)
- [Market Opportunities](#)
- [Market Entry Strategy](#)

### Market Overview

[Return to top](#)

An island in the Western Indian Ocean with a population of around 20 million, Madagascar ranks among the poorest countries in the world. Almost 70 percent of the population lives in poverty.

During the last five years, with the support of the World Bank, the IMF, and other donors, the Government of Madagascar (GOM) was seeking to move towards a market economy conducive to private sector development, openness to foreign investment, and withdrawal of the GOM from productive sectors.

However, in March 2009, elected President Marc Ravalomanana was ousted by the former mayor of Antananarivo Andry Rajoelina in a coup supported by the army. The international community does not acknowledge as legitimate the de facto transition regime that has been in power since that time. As a result, most donors suspended their non-humanitarian aid programs, and the USG terminated the Millennium Challenge (MCA) program in Madagascar on May 19, 2009, one year ahead of schedule. On December 23, 2009, the country's eligibility under the African Growth and Opportunity Act (AGOA) was also suspended as Madagascar no longer met the criteria regarding political pluralism and rule of law.

Prior to the current political instability, Madagascar appeared to be moving along a positive path of growth and poverty reduction. However, following the political crisis, economic activity declined, unemployment increased, and government revenue dropped, inducing a sharp fall in public investment. The annual growth rate shrank from 7.1 percent in 2008 to 0.6 percent in 2009 (compared to 7.5 percent initially projected). The balance of payments, which had a surplus of USD 101.4 million in 2008, recorded a deficit of USD 118 million in 2009. The ariary depreciated by 14.5 percent and 8.7 percent against the dollar and the euro, respectively, between the end of 2008 and the end of 2009.

As a former French colony, Madagascar sells more of its exports to France than to any other country (38 percent in 2009). In addition, 650 out of 2,500 companies in Madagascar have French capital. However, France was only the fifth largest foreign investor in Madagascar in 2009, having fallen from its prior first place position by large Canadian, Japanese, Korean, and British-Australian mining investments. China was the

leading supplier of Malagasy imports in 2009, with a 22 percent market share, made up mainly of textiles used in garment production.

State divestiture from public enterprises has been a cornerstone of government policy for the last decade, although two large insurance companies, the water and energy company, and the national air transportation company still belong to the Malagasy state.

Combating corruption was a stated priority of the Ravalomanana administration. In 2003, the President created the Anti-Corruption Council and in September 2004, BIANCO, the independent anti-corruption investigation bureau began operations. Corruption is again on the rise since the unconstitutional change of government in March 2009.

On July 19, 2008, SAMIFIN, the financial intelligence unit in charge of combating money laundering, was created. In 2009, SAMIFIN received 45 suspicious transaction reports. 10 cases have been referred to the public prosecutors.

Despite the political crisis, the Rio Tinto company began exporting ilmenite in June 2009, and Ambatovy, a joint venture of Sherritt, SNC Lavalin, Kores, and Sumitomo, will begin exporting nickel and cobalt in 2011.

In addition, the American company Madagascar Oil, in association with the French operating company Total, actively conducted oil exploration during the past year, as did the Chinese company SUNPEC on separate blocks.

## **Market Challenges**

[Return to top](#)

In general there are no specific barriers to market entry but direct marketing for American-made products is difficult. The Malagasy consumer is unaccustomed to Western marketing styles. In addition, French language nuances may not be as evident to an American businessperson. The Embassy encourages U.S. operators to direct market to local distributors and agents. Since the departure of the ousted President Ravalomanana, monopolies that were held by his firm, TIKO, on flour and vegetable oil have been broken up.

## **Market Opportunities**

[Return to top](#)

The most promising sectors are energy, mining and tourism. The best prospects for future U.S. sales and investments are in the energy, oil exploration, and mining sectors. There are under-exploited opportunities in consulting and engineering. Thanks to donors' assistance, including MCA's, some investors are now developing projects to encourage value-added processing of agricultural exports such as essential oils.

The country has commercially significant reserves of several minerals including chromites, graphite, nickel, cobalt, mica, uranium and ilmenite. Gold and significant quantities of various precious and semi-precious stones – ruby, sapphire, and emerald – are also found in Madagascar. The discovery of important deposits of sapphires and

rubies in some parts of the country has attracted many foreign traders and investors from Thailand, Sri Lanka, Europe, and the U.S.

Madagascar's rich biodiversity and high level of endemic plants and animals are the basis for eco-tourism development and might attract foreign investors, along with potential for development of beach resorts.

Despite Madagascar's poverty, the island's unique natural environment, its wide variety of resources, its competitive labor force, and its location on the crossroads between Asia and Africa make it worth considering for long-term investments. However, investors should note that periodic political instability, the lack of a level playing field in particular sectors, an unreliable legal system, and a lack of transparency in contracting and regulatory decisions can make doing business in Madagascar challenging.

### **Market Entry Strategy**

[Return to top](#)

The use of distributors, particularly with prior experience in distributing imported goods, is highly recommended. Local agents have contacts to develop a customer base and can easily communicate in Malagasy and/or in French. Partners can be found by obtaining a list of importers from the Embassy Commercial Section or by contacting business groups and market survey firms. The Embassy recommends that U.S. firms visit the country and negotiate a distribution contract face- to-face in order to develop the personal relationships that facilitate doing business in the country.

[Return to table of contents](#)

## **Chapter 2: Political and Economic Environment**

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn>

[Return to table of contents](#)

## **Chapter 3: Selling U.S. Products and Services**

- [Using an Agent or Distributor](#)
- [Establishing an Office](#)
- [Franchising](#)
- [Direct Marketing](#)
- [Joint Ventures/Licensing](#)
- [Selling to the Government](#)
- [Distribution and Sales Channels](#)
- [Selling Factors/Techniques](#)

- [Electronic Commerce](#)
- [Trade Promotion and Advertising](#)
- [Pricing](#)
- [Sales Service/Customer Support](#)
- [Protecting Your Intellectual Property](#)
- [Due Diligence](#)
- [Local Professional Services](#)
- [Web Resources](#)

## **Using an Agent or Distributor**

[Return to top](#)

For new American operators, the use of agents and distributors, particularly those with prior experience in distributing imported products is highly recommended. Local agents have contacts to develop a customer base and can easily communicate in Malagasy and/or French. Partners can be found by obtaining a list of importers from the Embassy Commercial Section or by contacting business groups and market survey firms (in Chapter 9). The Embassy recommends that U.S. firms visit Madagascar and negotiate a distribution contract face to face in order to develop the personal relationships that facilitate doing business in the country.

## **Establishing an Office**

[Return to top](#)

In May 2006, the GOM established an investment promotion office, the Economic Development Board of Madagascar (EDBM). It is a one-stop shop for investment and business development to facilitate company registration procedures and to assist local and foreign investors. Now it takes as little as a week to register a company whereas in the past it took at least one month.

Office space can be found through a handful of real estate agents, advertisements in local papers, or word of mouth. Landlords will rent to new companies even if they have not obtained all their operating permits. Office furniture can be obtained locally at reasonable prices and telephone services – fixed or mobile – are available in the main towns. There are increasing numbers of multilingual, qualified secretaries and administrative assistants interested in working with foreign businesses.

## **Franchising**

[Return to top](#)

A number of Malagasy businesspersons have expressed interest in establishing franchises of U.S. businesses in Madagascar. Sectors of interest cover mainly fast food such as McDonalds and Kentucky Fried Chicken. However they have been unsuccessful due to the high fees and the lack of local consumer purchasing power. A number of leading U.S. products and services are sold through distributorships, including UPS, Caterpillar, General Motors, IBM, Dell, Cisco, Sun and Oracle, NCR, Sun Microsystems, Packard Bell, Compaq, Apple, Motorola, Ford, Coca-Cola, Kodak films, AT & T equipment, etc.

## **Direct Marketing**

[Return to top](#)

Although there are exceptions, direct marketing for U.S. made products is difficult. Therefore, the Embassy encourages U.S. businesspersons to negotiate with local distributors and agents.

### **Joint Ventures/Licensing**

[Return to top](#)

Joint ventures with local companies are not required but generally recommended. In the domain of oil exploration, companies must negotiate production sharing contracts with the government office OMNIS. The benefit of joint ventures is that the local partners have knowledge and experience in the country and can navigate complex bureaucratic administrative procedures. The drawback is that a local partner will likely be a minority shareholder in capital terms and must be carefully screened through independent references and past business history.

There are only a few licensing ventures, the most prominent being Coca Cola with Star Brewery.

### **Selling to the Government**

[Return to top](#)

As part of its liberalization strategy, the GOM frequently advertises calls for international bids to supply government-funded projects in official and local newspapers. These bids are opened publicly and tend not to be contested. Occasionally, international bids are canceled or postponed without explanation. The most frequent opportunities are in road construction, supply of computers, consulting, engineering, etc.

### **Distribution and Sales Channels**

[Return to top](#)

Imported goods can enter Madagascar via air at Ivato international airport in Antananarivo or via sea at the ports of Tamatave, Majunga, Antsiranana, Tulear and Ft. Dauphin. Products are then distributed by road, sea or rail throughout the country. Distribution is usually handled by the importing company or by wholesalers and retailers.

### **Selling Factors/Techniques**

[Return to top](#)

The purchasing power of the average Malagasy is very low so most Malagasy can only afford immediate necessities. When selling, there is no requirement to translate labels into Malagasy. Retailers and sales clerks respond to customers' needs and process sales, but there is only a dawning awareness of service or sales techniques common in the United States or Europe.

### **Electronic Commerce**

[Return to top](#)

E-Commerce is not yet used in the country due to the lack of appropriate technology required for E-Commerce. Payment by credit cards (Visa and in limited circumstances MasterCard) is only accepted in select department stores, large supermarkets, and hotels.

Madagascar, through donors' assistance, is working to pass comprehensive legislation to regulate and facilitate electronic transactions (e-commerce).

## **Trade Promotion and Advertising**

[Return to top](#)

Marketing is a relatively new industry to Madagascar. Avenues of advertising include billboards, posters, newspapers, radio and television. Prominent campaigns have European influence and often link the product with leisure activities or personal enjoyment. The quality of advertising campaigns varies and appears to depend on the budget of the advertiser. It is possible to pay a newspaper for a full-page article/advertisement, or all the television stations to broadcast an info/ad program.

### Local fair authorities/organizations

#### Premiere Ligne

13, rue Ratsimilaho, Antaninarenina

Antananarivo 101 – Madagascar

Tel: (261 20) 22 212 40

Fax: (261 20) 22 212 41

Website: [www.sii-technopole.mg](http://www.sii-technopole.mg) or [www.foire-de-madagascar.mg](http://www.foire-de-madagascar.mg)

E-mail: [sii-technopole@moov.mg](mailto:sii-technopole@moov.mg) or [f-i-m@moov.mg](mailto:f-i-m@moov.mg)

Contact: Mr. Michel Raharimanana

#### Madavision

Lot VP pres 27 A Bis, Ambohimandra

Antananarivo 101 – Madagascar

Tel: (261 20) 22 564 41

E-mail: [contact@grandebraderie.com](mailto:contact@grandebraderie.com)

Contact: Mrs. Harilala Ramanantsoa

#### Synergie Communication

43 rue de Russie Isoraka

Antananarivo 101 – Madagascar

Tel: (261 20) 22 618 97

E-mail: [synergy@moov.mg](mailto:synergy@moov.mg)

Contact: Mrs. Elia Ravelomanantsoa

### Daily newspapers:

#### L' Express de Madagascar

P.O. Box 171

Antananarivo 101 – Madagascar

Tel: (261 20) 22 203 10

Fax: (261 20) 22 213 83

Website: [www.lexpressmada.com](http://www.lexpressmada.com)

E-mail: [lexpress@malagasy.com](mailto:lexpress@malagasy.com)

Midi Madagasikara  
P.O. Box 1414  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 300 38  
Fax: (261 20) 22 273 51  
Website: [www.mid-madagasikara.mg](http://www.mid-madagasikara.mg)  
E-mail: [midi@moov.mg](mailto:midi@moov.mg)

Madagascar Tribune  
P.O. Box 659  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 226 35  
Fax: (261 20) 22 2222 54  
Website: [www.madagascar-tribune.com](http://www.madagascar-tribune.com)  
E-mail: [tribune@moov.mg](mailto:tribune@moov.mg)  
La Gazette de la Grande Ile  
P.O. Box 8678  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 613 77  
Fax: (261 20) 22 651 88  
Website: [www.lagazette-dgi.com](http://www.lagazette-dgi.com)  
E-mail: [administration@lagazette-dgi.com](mailto:administration@lagazette-dgi.com)

Les Nouvelles  
P.O. Box 194  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 354 33  
Website: [www.les-nouvelles.com](http://www.les-nouvelles.com)  
E-mail: [redaction@les-nouvelles.com](mailto:redaction@les-nouvelles.com)

Le Courrier  
Immeuble SME, Ankorondrano  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 378 95  
Website: [www.courriermada.com](http://www.courriermada.com)  
E-mail: [dirpublc@blueline.mg](mailto:dirpublc@blueline.mg)

Madagascar Matin  
P.O. Box 194  
Antananarivo 101 – Madagascar  
Tel: (261 20) 26 295 21  
E-mail: [madagascarmatin@gmail.com](mailto:madagascarmatin@gmail.com)

#### Business Journals:

Revue de l'Océan Indien (ROI)  
P.O. Box 46  
Antananarivo 101 – Madagascar



Tel: (261 20) 22 225 36  
Fax: (261 20) 22 345 34  
E-mail: [roi@moov.mg](mailto:roi@moov.mg)

Enjeux Challenger  
<http://www.challenger-magazine.com/>

Televisions:

Television Malagasy (TVM) (state)  
Anosy  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 208 97  
Fax: (261 20) 22 344 21

RTA  
P.O. Box 7547  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 627 76  
Fax: (261 20) 22 558 80  
Website: [www.rta.mg](http://www.rta.mg)  
E-mail: [flash@rts.mg](mailto:flash@rts.mg)

TVPLUS  
Anosizato  
Antananarivo 101 – Madagascar  
Tel/Fax: (261 20) 22 676 73

MATV  
B.P.: 1414. Ankorondrano, Antananarivo, Madagasikara  
Tel: (261 20) 22 364 69/70  
Fax: (261 20) 22 671 27  
<http://www.matvonline.tv>

TELERECORD  
P.O. Box 7522  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 295 32  
Fax: (261 20) 22 664 68  
Website: [www.rtv-record.com](http://www.rtv-record.com)  
E-mail: [rtv.record@iris.mg](mailto:rtv.record@iris.mg)

VIVA Television  
Tana Water Front, Ambodivona  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 567 88  
Fax: (261 20) 22 684 95

TVF (private provider of TV programs per satellite)  
41 bis rue d'Andriba, Mahamasina  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 207 30  
Fax: (261 20) 22 203 02  
Website: [www.tvf-malagasy.com](http://www.tvf-malagasy.com)  
E-mail: [tvf@iris.mg](mailto:tvf@iris.mg)

## **Pricing**

[Return to top](#)

Pricing of imported products depends on import duties, which generally range from 0 to 20 percent. Since 2008, a value added tax (VAT) of 20 percent has been added onto the retail price, and profit margins on products tend to be around 7 to 10 percent.

## **Sales Service/Customer Support**

[Return to top](#)

The concept of sales service and customer support is relatively new to Madagascar and is limited primarily to distributors of vehicles, computers and electronic equipment. Retailers of most consumer goods rarely accept returns of defective products. To protect consumers' rights, two private consumer organizations were created but their actions have reportedly so far been limited.

## **Protecting Your Intellectual Property**

[Return to top](#)

See Chapter 6: Investment Climate

Contact for local IPR registration and enforcement:

- OMAPI, Office Malgache de la Propriété Industrielle (Malagasy Office for Industrial Property); e-mail: [omapi@moov.mg](mailto:omapi@moov.mg)
- OMDA, Office Malgache des Droits d'Auteurs (Malagasy Office for Copyrights); e-mail: [omda@moov.mg](mailto:omda@moov.mg)

## **Due Diligence**

[Return to top](#)

Performing due diligence is common in the country and is performed by accountants. Usually, it is requested in areas of investment, joint venture/partnership, and loans.

## **Local Professional Services**

[Return to top](#)

(See Chapter 9: contacts)

## **Web Resources**

[Return to top](#)

(See web resources in Chapter 9)

[Return to table of contents](#)

## Chapter 4: Leading Sectors for U.S. Export and Investment

Units: US Dollars

Sources of data:

- Malagasy data is from the National Data Bank.
- U.S. data is from USITC.

### Leading Sectors for Export

[Return to top](#)

### Non Agricultural Products

[Return to top](#)

**Fertilizers**

**Iron and steel**

### Agricultural Products

[Return to top](#)

**Flour**

**Vegetable oil**

### Non Agricultural Products

[Return to top](#)

### Fertilizers – Section #1

[Return to top](#)

### Overview

[Return to top](#)

	2008	2009	2010 (estimated)
Total Market Size	n/a	n/a	n/a
Total Local Production	n/a	n/a	n/a
Total Exports	0	0	0
Total Imports	23,600,000	3,950,000 (Jan-March)	n/a
Imports from the U.S.	0	31,000 (Jan-Nov)	n/a

### Best Prospects/Services

[Return to top](#)

Being an agricultural country (around 75 percent of the population live in the rural areas) Madagascar is a big importer of fertilizers. Imports are mainly from France, Italy and Spain. Though Madagascar produces organic fertilizer through the Malagasy company GUANOMAD, local production is not sufficient. Based on the 2009 data, U.S. exporters can still increase their sales by working with an agent distributor and by using French language packaging.

## Opportunities

[Return to top](#)

No specific investment project in the sector.

## Resources

[Return to top](#)

EDBM would be a good start for U.S. businesses who want to prospect in this sector (see e-mail and website at Chapter 9).

## Iron and Steel – Sector #2

[Return to top](#)

## Overview

[Return to top](#)

	2008	2009	2010 (estimated)
Total Market Size	n/a	n/a	n/a
Total Local Production	n/a	n/a	n/a
Total Exports	0	0	
Total Imports	456,000,000	283,000,000 (Jan-March)	n/a
Imports from the U.S.	1,548,000	11,211,000 (Jan-Nov)	

## Best Prospects/Services

[Return to top](#)

Based on the import data, Madagascar imports significant amounts of iron and steel products such as tubes and pipes. The country imports articles of iron and steel mainly from China, India, and Europe. U.S. exporters can still increase their sales if their prices are competitive. The best way to enter the market is again through an agent distributor who knows the sector well. Another way to enter the market is to contact directly the large mining companies operating in the country at the following websites:

- Madagascar Oil at [www.madagascaroil.com](http://www.madagascaroil.com)
- Rio Tinto QMM at [www.riotintomadagascar.com](http://www.riotintomadagascar.com)
- Sherritt at [www.sherritt.com](http://www.sherritt.com)

## Opportunities

[Return to top](#)

The country has a significant unexploited iron mine in the west of the country. According to the ministry of mining, an international bid will be launched soon. The Commercial

Section will inform DOC and U.S. businesses through TOPs (trade opportunity reports) if the bid is launched.

## Resources

[Return to top](#)

Potential investors can contact EDBM and the ministry of mining (See contacts at Chapter 9).

## Agricultural Products

[Return to top](#)

## Flour – Sector #3

[Return to top](#)

## Overview

[Return to top](#)

	2008	2009	2010 (estimated)
Total Market Size	n/a	n/a	n/a
Total Local Production	n/a	n/a	n/a
Total Exports	0	0	
Total Imports	30,041,569	7,060,000 (Jan-March)	n/a
Imports from the U.S.	599,700	294,400 (Jan-Nov)	n/a

In 2006, an American company established a partnership with a local company in Antsirabe to mill imported wheat into flour. In 2007, President Ravalomanana created a milling plant in Tamatave that competed directly with the American investment. Due to unfair competition by the president's company, TIKO, the American investor suspended operations in October 2008. Following the departure of ousted President Ravalomanana in March 2009, his company was forced to close. With the end of monopoly on the sale of flour in the country, flour is now imported from various countries such as Mauritius, Egypt, Europe and the U.S. Madagascar's two flour mills now stand idle.

## Best Prospects/Services

[Return to top](#)

Considering the important value of flour imported by the country and the opening of the sector, there is still significant room for U.S. exporters to increase their sales of flour in the country, and possibly to enter the milling sector. The best way to enter the market is again to cooperate with an importer who will act as the distributing agent.

## Opportunities

[Return to top](#)

Wheat cultivation could offer American investors in Madagascar another opportunity. In fact, there is no significant wheat production in the entire Indian Ocean region, so production from Madagascar could cover the region and even Sub-Saharan Africa. However, identifying and gaining access to land remains problematic and highly politicized.

**Resources**[Return to top](#)

AMCHAM, SIM, GEM, and Chamber of Commerce listed in Chapter 9 are good contacts for potential exporters.

See EDBM's contact information in Chapter 9 for potential investors in the sector.

**Vegetable Oil Sector #4**[Return to top](#)**Overview**[Return to top](#)

	2008	2009	2010 (estimated)
Total Market Size	n/a	n/a	n/a
Total Local Production	n/a	n/a	n/a
Total Exports	0	0	
Total Imports	50,800,000	9,200,000 (Jan-March)	
Imports from the U.S.	1,519,300	278,200 (Jan-Nov)	

Madagascar imports nearly 100 percent of its vegetable oil. There are small artisan units that process oil from peanuts but they do not meet the regular standards.

During President's Ravalomanana's regime, his firm TIKO held a monopoly on the import of vegetable oil. This monopoly was broken up following the change of government in March 2009.

**Best Prospects/Services**[Return to top](#)

With total imports of \$50 million in 2008 and \$9 million during the first quarter of 2009, Madagascar is a large importer of vegetable oil. Main imports are from South East Asia, Mauritius, Egypt and Europe. Since April 2009, several types low-priced oil from Malaysia and Thailand can be found in the market.

**Opportunities**[Return to top](#)

With the opening of the sector, U.S. exporters can increase their sales if their selling price is competitive and if they can find a good local partner with a good national distribution channel.

**Resources**[Return to top](#)

AMCHAM, SIM, GEM and Chamber of Commerce for contact with potential importers (see Chapter 9).

**Leading Sectors for Investments**[Return to top](#)

- Sugar

- Soybeans and Palm oil
- Iron ore
- Bio energy

## **Sugar - FOD**

[Return to top](#)

In 2006, the GOM and international donors identified sugar as a priority growth sector. Less than 10% of arable land is currently utilized and more than 60,000 hectares suitable for sugar cane production have been identified. Madagascar currently produces less than 30,000 tons of sugar per year, but consumes more than 180,000 tons. In addition, global demand is rising, driven by increased sugar consumption and demand for ethanol, while output in key producing countries is declining. Madagascar benefits every year from 7,258 tons of raw sugar tariff-rate quota from the U.S. and around 18,000 tons from the European Union. Unfortunately, since 2004, Madagascar has not honored its U.S. quota. Due to the current political crisis, the World Bank suspended its fund granted to the sugar sector. According to the GOM, the Indian Exim Bank plans to finance a USD 200 million sugar project in 2010, but details are unavailable. Two Indian investors reportedly created a Malagasy company in 2009 with the goal of constructing a sugar factory. The production of the financially-troubled, state-owned sugar company SIRAMA, currently managed under contract by the Chinese company COMPLANT, remains low.

## **Resources**

[Return to top](#)

For additional information on investment opportunities in the sugar sector, potential investors can contact the EDBM (see Chapter 9: contacts)

## **Soybeans and Palm Oil - FOD**

[Return to top](#)

Madagascar possesses an abundant supply of labor for agricultural development as more than 75% of the population live in the rural areas. The island has a significant cultivable area estimated at 18 million hectares. Furthermore, the soil diversity allows for the exploitation of soya beans and palm oil mainly in the South-West, North-West, and the East Coast. The country has a small production unit of palm oil used mainly to manufacture soap. With the increasing world demand in bio-fuel and edible oils, Madagascar could attract many foreign investors if the land tenure issue is addressed.

## **Resources**

[Return to top](#)

For additional information on investment opportunities in the sugar sector, potential investors can contact the EDBM (see Chapter 9: contacts)

## **Iron ore - IRN**

[Return to top](#)

Madagascar possesses several iron ore deposits: The Soalala deposit (the most significant deposit) is estimated at 360 million tons at a grade of 35% iron. The Betioky deposit has 30 million tons of ore that grades 24% iron and 130 million tons of ore that grades 10% to 14% iron. The Bekisopa deposit has 10 million tons of ore at a grade of 60% iron and 130 million tons at a grade of 10% to 14% iron. Small iron deposits exist

as well throughout the country. In 2008, an international bid was launched but due to the crisis, the bid was suspended. The current de facto GOM would like to re-launch the Soalala iron reserve this year. The Commercial Section will notify the DOC and potential U.S. investors if the bid is launched.

## Resources

[Return to top](#)

For additional information on investment opportunities in the mining sector, potential investors can contact the PGRM (Project for Mineral Resources) at [www.pgrm.mg](http://www.pgrm.mg).

## Bio-energy

[Return to top](#)

Bio-energy is a potentially promising sector for future foreign investment in the country. Madagascar has lands that can be used for jatropha, maize or sugar cane plantations without competing with lands for food such as rice, spices or beans. The main concerns would be the long process involved in securing land, the sensitivities surrounding the granting of large land tracts to foreigners, and the instability of the current transition government.

## Resources

[Return to top](#)

For additional information on investment opportunities in this sector, please contact EDBM (see Chapter 9: contacts)

[Return to table of contents](#)

# Chapter 5: Trade Regulations and Standards

- [Import Tariffs](#)
- [Trade Barriers](#)
- [Import Requirements and Documentation](#)
- [U.S. Export Controls](#)
- [Temporary Entry](#)
- [Labeling and Marking Requirements](#)
- [Prohibited and Restricted Imports](#)
- [Customs Regulations and Contact Information](#)
- [Standards](#)
- [Trade Agreements](#)
- [Web Resources](#)

## Import Tariffs

[Return to top](#)

Custom duties range from 0% to 20% (0% for inputs and capital goods in the EPZ sector and 20% for consumer goods). Agricultural equipment is exempt from customs duties. Furthermore, the export promotion law 27/2008 provides that the import duty for equipment used in the production of exports is fixed at 5%. Based on the 2010 budget



law, equipment related to renewable energy and sports equipment are exempt from custom duties.

VAT is fixed at 20% for all goods except agricultural and sports equipment which are exempt.

## **Trade Barriers**

[Return to top](#)

Like many developing countries, Madagascar collects a significant share of government revenue through customs duties, import taxes and value added taxes (VAT) on imports. Although they have been lowered recently, tax and customs duty rates are still relatively high. Madagascar does not have significant formal non-tariff barriers to trade.

## **Import Requirements and Documentation**

[Return to top](#)

The GOM currently requires an inspection certification from Gasynet before shipment of goods.

### **Import documentation**

The following documents are required for imports:

- Commercial invoice
- Bill of lading or Air Way Bill
- Insurance certificate
- Packing list
- Import declaration
- Certificate of origin
- Pre-shipment inspection certificate

### **Export requirements and documentation**

Most exports have been liberalized. However, export authorization is required for some protected animal and plant species, as requested by the Convention on International Trade in Endangered Species (CITES), of which Madagascar is a member. These include crocodiles and crocodile skin products, live animals, and orchids. Exporters are obliged to repatriate their foreign exchange earnings within 180 days following shipment.

The following documents are required for exports:

- Commercial invoice
- Bill of lading or Air Way Bill
- Certificate of origin (under GSP regime, JADE Act)
- Insurance certificate
- Phyto sanitary certificate, if required
- Packing list
- Export declaration
- Customs declaration
- Quality certificate, if required

## **U.S. Export Controls**

[Return to top](#)

There are no U.S. export controls specifically related to Madagascar which companies must respect when exporting. However, companies should ensure that imports of flora or fauna from Madagascar to the U.S. adhere to the provisions of the Lacey Act, which does not allow the import, export, transport, sale, receipt or purchase of plant materials taken, possessed, transported, or sold in violation of U.S. or foreign laws. American law enforcement officials took action in 2009 against companies that imported rosewood that had been illegally felled in Madagascar.

### **Temporary Entry**

[Return to top](#)

Personal effects of diplomatic corps and international organizations are not subject to import taxes upon entry, but if personnel sell their effects before leaving the country, they must pay the import duties. Madagascar has a temporary admission regime under which certain items may enter duty free for up to 12 months. These items include imported goods that are expected to be re-exported (as is or after transformation), goods subject to experiment, repairs, and testing, goods exhibited during an international trade fair, and equipment used in public works.

### **Labeling and Marking Requirements**

[Return to top](#)

For each certified product, labeling and marking are required on the packaging of the product before sale or export. All perishable foods must bear a label, in French or English, indicating the origin, the sell-by or use-by date, the ingredients, the method of storage, the name of the manufacturer together with his registration number, where appropriate, and the intended use. The utilization of the metric system is compulsory in Madagascar.

For further information, point of contact is:

Bureau National des Normes (BNM)

P.O. Box 1316

Antananarivo 101 – Madagascar

Tel: (261 20) 22 279 70

E-mail: [bnm@moov.mg](mailto:bnm@moov.mg)

### **Prohibited and Restricted Imports**

[Return to top](#)

Imports into Madagascar are liberalized and no longer require any import license except for a few categories of items which are considered by the GOM as strategic and which are specially regulated. The importations of radioactive waste from nuclear power stations; pornographic materials; counterfeit branded products, pirated goods and goods bearing false indications of origin are prohibited: The importation of such products as arms, explosives and narcotic drugs is subject to prior authorization. The same applies to imports of diamonds, gemstones, gold and platinum jewelry, and vanillin.

Madagascar also maintains a special regime for imports of leaf tobacco. An import license is required for lubricants. In addition, Madagascar applies prohibitions and licenses under multilateral environmental agreements to which it is party.

### **Customs Regulations and Contact Information**

[Return to top](#)

Customs are valued at C.I.F. Madagascar is a member of the World Customs organization (WCO). Since November 2000, the Malagasy customs authorities have implemented the "transactional value" definition of the WCO.

Customs contact information  
Mr. Vola Razafindramiandra Ramiandrasoa  
Director General of Customs  
Ministry of Finance, Budget and Economy  
Antaninarenina, Antananarivo 101  
Madagascar  
Tel: (261 20) 22 229 16  
Fax: (261 20) 22 646 80

## Standards

[Return to top](#)

- [Overview](#)
- [Standards Organizations](#)
- [Conformity Assessment](#)
- [Product Certification](#)
- [Accreditation](#)
- [Publication of Technical Regulations](#)
- [Labeling and Marking](#)
- [Contacts](#)

## Overview

[Return to top](#)

The Bureau de Normes de Madagascar (BNM) (Madagascar's Standards Office), is the official body in charge of standards and conformity assessment in Madagascar. BNM's objective is to draft and publish national standards, manage the national trademark conformity, promote and apply standards, certifications, and quality, represent Madagascar at regional and international standards organizations such as ISO, CEI, OIML, and Codex Alimentarius. When developing standards, BNM follows international standards, mainly ISO.

PRONABIO, a local organization, has developed its own standards called NATIORA to certify its natural goods such as vegetables, spices, and essential oils.

## Standards Organizations

[Return to top](#)

The main national testing laboratories are:

- Laboratoire de Chimie et de Microbiologie d'Antananarivo (LCMA): quality control of food and agricultural goods, classification and conformity assessment. Standards used are AFNOR, ISO, and Codex Alimentarius.
- Laboratoire de Chimie de Tamatave (LCT): quality control of agricultural goods such as coffee, vanilla, cloves, litchi, pepper, and essential oils; classification and conformity assessment. Standards used are AFNOR and ISO.

- Laboratoire de Métrologie Légale (LML): control and standardization of measuring equipment in the commercial and industrial sector. LML belongs to the ministry of trade.
- Laboratoire du Centre National de Recherche pour l'Environnement (LCNRE): analysis of environmental samples; monitoring of impacts of industrial activities of environment; scientific support to the industrial sector; control and analysis in the nutritional and food sector; scientific support to the private sector in product quality (shrimp, lobster, agricultural goods, etc).
- Laboratoire de Biochimie Nutrition du Département de Recherche Zootechniques et Vétérinaires (LBN): chemical and microbiological analysis of raw materials for animal food.
- Laboratoire du Centre National de Recherches Industrielles et Technologiques (CNRIT): conformity assessment in the following sectors: water, various chemical products, construction material, civil engineering, electronics. Technical support to enterprises.
- Laboratoire de Chimie et de Recherches des Fraudes Alimentaires (LCFRA): quality control of all physic-chemical food (whether local or imported) for consumption certification.
- Laboratoire de Contrôle des Pesticides (LCP): control of agro-pharmaceutical products and pesticides (local or imported).
- Laboratoire de Microbiologie, des Eaux et des Denrées Alimentaires de l'Institut Pasteur de Madagascar: bacteriological analysis of food, water, and medicines.
- Laboratoire National des Mines du Ministère de l'Energie et des Mines (LNM): certification of jewelry and precious stones for exports; LNM belongs to the ministry of energy.
- Laboratoire National de Recherches en Télécommunications (LNRT): verification, inspection and certification of telecommunication equipment.
- Laboratoire de l'Institut National des Sciences et Techniques Nucléaires (LINSTN): standardization of ionizing radiation detection apparatus; radioactivity control of food and metallic waste; analysis of geological samples; detection of heavy metal; control of heavy metal in seafood and meat; quantitative/qualitative analysis of atomic elements in powder, solid, and liquid samples.
- Laboratoire National des Travaux Publics et du Bâtiment (LNTPB): certification of construction materials (cement, iron, etc); study of road materials; study of soil in view of construction stability assessment; control of construction; description of maintenance works; development of standards; training of engineers.

#### **NIST Notify U.S. Service**

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member

countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

## **Conformity Assessment**

[Return to top](#)

The BNM and the testing laboratories stated above are the organizations in charge of conformity assessment in Madagascar.

## **Product Certification**

[Return to top](#)

- Vanilla, coffee, meat, seafood, and mining products should be certified before export.
- A few forestry products (under CITES regulations) should be certified before exploitation and export.

No mutual recognition agreement (MRAs) with U.S. organizations.

## **Accreditation**

[Return to top](#)

Accreditation body and contact information:

BNM

P.O. Box 1316

Antananarivo 101 – Madagascar

Tel: (261 20) 22 279 70

E-mail: [bnm@moov.mg](mailto:bnm@moov.mg)

## **Publication of Technical Regulations**

[Return to top](#)

Technical regulations and standards developed by the different laboratories are published in the national gazette of the Republic of Madagascar if required by law. U.S. or foreign entities can approach the different laboratories or related departments to comment on final regulations.

## **Labeling and Marking**

[Return to top](#)

For each certified product, labeling and marking are required on the packaging of the product before sale or export. All perishable foods must bear a label, in French or English, indicating the origin, the sell-by or use-by date, the ingredients, the method of storage, the name of the manufacturer together with his registration number, where appropriate, and the intended use. The utilization of the metric system is compulsory in Madagascar.

## **Contacts**

[Return to top](#)

For any information about standards or certification, BNM is the key contact (see address above)

Madagascar is a signatory to the following regional and international agreements:

- 1964: United Nations Convention on Trade and Development (UNCTAD)
- 1992: Indian Ocean Commission. Since 1998, elimination of tariffs on goods originating from the COI countries.
- 1993: Common Market for East and Southern Africa (COMESA): Free Trade Area since 2000 and customs union expected in 2010
- 1995: World Trade Organization (WTO)
- 2000: Cotonou Agreement
- 2005: SADC. Free Trade Area since 2008
- 2009: Interim Economic Partnership Agreement with the European Union.

(See web resources in Chapter 9)

[Return to table of contents](#)

## Chapter 6: Investment Climate

- [Openness to Foreign Investment](#)
- [Conversion and Transfer Policies](#)
- [Expropriation and Compensation](#)
- [Dispute Settlement](#)
- [Performance Requirements and Incentives](#)
- [Right to Private Ownership and Establishment](#)
- [Protection of Property Rights](#)
- [Transparency of Regulatory System](#)
- [Efficient Capital Markets and Portfolio Investment](#)
- [Competition from State Owned Enterprises](#)
- [Corporate Social Responsibility](#)
- [Political Violence](#)
- [Corruption](#)
- [Bilateral Investment Agreements](#)
- [OPIC and Other Investment Insurance Programs](#)
- [Labor](#)
- [Foreign-Trade Zones/Free Ports](#)
- [Foreign Direct Investment Statistics](#)
- [Web Resources](#)

The GOM officially welcomes foreign investment. However, the current political instability, following a March 2009 coup, has had a negative impact on foreign investment in the country. In 2009, only four foreign companies representing a total

investment of USD 5 million invested in the country under the Export Processing Zone regime (EPZ). Overall foreign investment declined by 17 percent during the first three quarters of 2009 compared to that same time period in 2008. In addition to the political turmoil, factors such as a complex business environment, an unfair legal system, and high shipping costs are among the chief obstacles to foreign investment in the country. Large mining investments in the South and the East of Madagascar continue to move forward despite threats by the de facto Malagasy authorities (HAT) to review the contracts for those investments.

On May 19, 2009, the Millennium Challenge Corporation (MCC) Board decided to terminate the MCC program with Madagascar. Most donors, including the World Bank and the IMF, have suspended or frozen their funding, with the exception of humanitarian aid. On December 23, 2009, the U.S. Government determined that Madagascar no longer met the African Growth and Opportunity Act (AGOA) criteria regarding political pluralism and rule of law. Madagascar's suspension from AGOA could cause the closure of over 30 apparel firms and the lay-off of up to 50,000 workers.

Despite the temporary suspension of funding from the World Bank, the Economic Development Board of Madagascar (EDBM) continues to provide support to foreign investors.

Prior to the March coup, the Bretton Woods institutions had generally endorsed the government's macro-economic regime, although they questioned certain non-transparent budget and tax decisions in late 2008. During the latter three quarters of 2009, the de facto authorities maintained fiscal discipline and continued sound monetary policies, keeping inflation in check. Madagascar moved up 10 rankings in the World Bank 2010 Doing Business report, ranking 134 out of 181 countries compared to 144 in the 2009 report. The creation of the American Chamber of Commerce (AMCHAM) in late 2008 also benefited American and other investors by providing a new forum to lobby for their interests. However, better governance, including a return to constitutional rule, the improvement of the regulatory system and the fight against corruption, are urgent priorities. Since the beginning of the crisis, the Madagascar Action Plan (MAP), a five-year development strategy paper (2007-2011) has been suspended.

There is no law or regulation authorizing private firms to adopt articles of incorporation or association that limit or prohibit foreign investment, participation or control. Further, there is no official practice to restrict foreign investment, participation in, or control of domestic enterprises. There is no mandatory screening of foreign investment and there is no discrimination against foreign investors at the time of the initial investment or after the investment is made, such as through special tax treatment, access to licenses, approvals, or procurement. To show transparency and good governance in the management of revenues from extractive resources, the GOM and the main operators in the extractive industries (e.g. Exxon Mobil, Rio Tinto, Madagascar Oil, Sherritt) continued to take the necessary steps to implement the Extractive Industries Transparency Initiative (EITI) in 2009. Due to lack of financing, however, the international audit scheduled for 2009 to allow Madagascar to become a full member of EITI was not carried out. Hence, it is unlikely that the country will become a full member by March 2010 as previously projected.

In 1998, the GOM lifted all restrictions on current payment and transfers and accepted the obligations of Article VIII of the IMF articles of Agreement, which provides for the complete elimination of exchange controls. There are no restrictions on converting or transferring funds associated with foreign investment, including remittances of investment capital, earnings, loan repayments, and lease payments into a freely usable currency at legal market clearing rate. When delays occur in conversion or funds transfer, they are due to temporary shortages of foreign exchange. By law, foreign investors must take remittances through banks. There is no limitation on the inflow or outflow of funds for remittances of profits, debt service, capital, and returns on intellectual property. Exporters and foreign investors may maintain bank accounts in foreign currencies. Madagascar has flexible exchange rate policy, allowing underlying exchange market pressures to determine rates and limiting central bank intervention to dampening temporary shocks and achieving its external reserves objectives.

In August 2009, Madagascar joined the Pan Africa e-network project which links 53 African countries by satellite or optical fiber. The project will benefit telemedicine, e-governance, and e-education services.

#### **Expropriation and Compensation**

[Return to top](#)

There are no recent cases of expropriation actions by the GOM nor do government policies suggest that it is likely to take such actions in the near future. The state divestiture from public enterprises has been a cornerstone of government policy. There are no laws requiring local ownership in specific economic sectors except in oil exploration, in which the Government office called OMNIS must be the partner of all foreign companies.

#### **Dispute Settlement**

[Return to top](#)

Madagascar's legal system is based on French civil law and its provisions contain adequate protections for private property rights. Malagasy commercial law consists largely of the Code of Commerce and Annexed laws, which are reportedly applied in a non-discriminatory manner. Madagascar has a written bankruptcy law, created in 1996 and currently included in the Code of Commerce. However, Madagascar ranked last in the World Bank's 2010 Doing Business Report in terms of closing a business due to the difficulties of bankruptcy and business closure procedures. The Malagasy judicial system is slow and complex and has a reputation of opacity and corruption. U.S. assistance has supported the development of alternative dispute resolutions systems to provide more rapid, more transparent, and less costly resolution of commercial disputes.

Under the privatization law, the GOM accepts binding international arbitration of investment disputes between foreign investors and the state. The courts recognize and enforce foreign arbitral awards, and international arbitration is accepted as a means for settling investment disputes between private organizations, to promote and facilitate the use of arbitration, to resolve commercial disputes, and to lessen reliance on a court system that is, at a minimum, overburdened. As a result, many private contracts now



include arbitration clauses. The EDBM is also responsible for investment dispute resolution; however, it has been unable to resolve several concerns raised by American companies regarding conflicts of interest and the lack of transparency in contracting and in government regulatory decision making.

Madagascar is a signatory to the International Center for the Settlement of Investment Disputes (ICSID) Convention. Madagascar is also a signatory to the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards and Madagascar has been a member of the Multilateral Investment Guarantee Agency (MIGA) since 1989.

## **Performance Requirements and Incentives**

[Return to top](#)

As a signatory of the WTO Agreement, Madagascar is bound by the WTO TRIMS (Trade Related Investment Measures). Performance requirements are not imposed as conditions for establishing or maintaining investments, except in the Export Processing Zones (EPZ) regime under which firms must export 95 percent of output to qualify for EPZ investment incentives. Foreign or local investors can benefit from tax exemptions provided their EPZ projects fall into the following categories:

- Investment in export-oriented manufacturing industries;
- Development or management of industrial free zones; or
- Provision of services to EPZ companies.

The EPZ law approved in December 2007 granted the following advantages and tax incentives to EPZ companies:

- The EDBM is in charge of the EPZ companies' approval. The EDBM has to deliver an eligibility certificate within 20 days of deposit of file.
- 15 years tax exemption for EPZ companies
- No VAT or customs duties on imports of raw materials
- No registration taxes
- No customs tax on exported goods
- Income tax on expatriate not exceeding 30 percent of the taxable basis
- Free access to foreign currency deposited in the company's foreign currency bank account.

The new export promotion law that was adopted in December 2008 determined that these EPZ provisions (advantages and tax incentives) would only be offered until December 2010. Already existing EPZ companies will continue to enjoy the advantages described above after that date.

There are no requirements restricting the mobility of foreign investors. The regime for visas, residence and work permits is, on its face, neither discriminatory nor excessively onerous. Since the creation of the EDBM, processing of residence and work permits has been streamlined.

There is no requirement that investors purchase from local sources, or export a certain percentage of output (except for EPZ companies), or only have access to foreign exchange in relation to their exports. There is no requirement that nationals own shares of foreign companies, that the share of foreign equity is reduced over time, or that

technology is transferred on certain terms. There are no government-imposed conditions on permission to invest (although investors must apply for such permission), including location in a specific geographical area, specific percentage of local content or local equity, substitution for imports, exports requirements or targets, employment of host country nationals, or technology transfer. Investors are not required to disclose proprietary information to the government as part of the regulatory approval process. U.S. and other foreign firms are able to participate in government-financed and/or subsidized research and development programs on a national treatment basis. There are officially no discriminatory or preferential export or import policies, which would affect foreign investors, nor discriminatory tariff or non-tariff barriers, or other measures such as import or price controls.

## **Right to Private Ownership and Establishment**

[Return to top](#)

Foreign and domestic private entities may establish and own business enterprises and engage in all forms of remunerative activity. They may freely establish, acquire, and dispose of interests in business enterprises. The government remains a minority shareholder in some privatized companies, such as in the Malagasy telecommunications company (Telma), and continues to own Air Madagascar, but competitive equality is the official standard applied to all private enterprises with respect to access to markets, credit, and other donors had criticized ousted President Ravalomanana's use of position to unfairly benefit his company, TIKO Group. Since his departure, monopolies that were held by TIKO, for example on flour and vegetable oil, have been broken up, enabling increased – but very uneven – competition in those sectors.

## **Protection of Property Rights**

[Return to top](#)

Secured interests in property are recognized, but not entirely enforced in the country. Banks and insurance companies use mortgages to guarantee loans relating to commercial property.

A prohibition on land ownership by foreigners impedes access to real property, and the entire issue remains highly controversial and problematic despite legal advances, for cultural reasons. A system of long-term leases – up to 99 years – was established in 2008 following the adoption of investment law 2007-036 to address the issue, but there have been long delays and few successes so far in the approval of land leases for foreigners. The new investment law grants land and properties to companies registered in Madagascar under certain conditions fixed by EDBM, which issues authorization documents. In addition, MCC's contribution to the land tenure issue somewhat improved the land rights process prior to early termination of the program in late 2009.

## **Protecting Your Intellectual Property in Madagascar:**

Several general principles are important for effective management of intellectual property (“IP”) rights in Madagascar. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Madagascar than in the U.S.

Third, rights must be registered and enforced in Madagascar, under local laws. Your U.S. trademark and patent registrations will not protect you in Madagascar. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Malagasy market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Madagascar. It is the responsibility of the rights’ holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Malagasy law. The U.S. Commercial Service can provide a list of local lawyers upon request.

While the U.S. Government stands ready to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Madagascar require constant attention. Work with legal counsel familiar with Malagasy laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Malagasy and U.S.-based. These include:

- The U.S. Chamber and local American Chamber of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)

- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

Madagascar is a member of the WIPO (World Intellectual Property Organization) and is a signatory to the WTO TRIPS agreement on trade related aspects of intellectual property. Two government offices share responsibility for the protection of intellectual property rights: the Malagasy Office for Industrial Property (OMAPI) and the Malagasy Copyright Office (OMDA). Protection of Intellectual property rights is uneven. Officially, authorities protect against infringement, but in reality, enforcement capacity is quite limited. Major brands are generally respected but pirated copies of movie DVDs, music CDs and tapes, electronic equipment and spare parts are sold openly. Some television stations regularly show pirated copies of first-run U.S. and European movies. On July 17, 2006 an inter-ministerial decree was issued to reinforce measures to fight counterfeiting of literary and artistic works. Upon evidence of illegal activity, OMDA and its partners (police, customs officers, tax officers, controllers of the ministry of commerce) should seize all illegally reproduced recorded products, be they illegally manufactured or imported, and specific materials used for such dealings. Those products are subject to public destruction in presence of the contravener(s). A control committee was set up in 2004, and this committee is in charge of implementing the 2006 decree. In 2009, the committee conducted 26 operations and seized 25,000 counterfeit music CDs and movie DVDs. Despite these initiatives, overall enforcement of intellectual property rights remains limited due to a shortage of trained personnel, legal capacity and resources.

### IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at [www.StopFakes.gov](http://www.StopFakes.gov).
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at [www.stopfakes.gov](http://www.stopfakes.gov).
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and elsewhere. For details and to register, visit: [http://www.abanet.org/intlaw/intlproj/iprprogram\\_consultation.html](http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html)
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: [www.StopFakes.gov](http://www.StopFakes.gov) This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record

registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.

Contact for local IPR registration and enforcement:

- OMAPI, Office Malgache de la Propriété Industrielle (Malagasy Office for Industrial Property); e-mail: [omapi@moov.mg](mailto:omapi@moov.mg)
- OMDA, Office Malgache des Droits d'Auteurs (Malagasy Office for Copyrights); e-mail: [omda@moov.mg](mailto:omda@moov.mg)

## **Transparency of Regulatory System**

[Return to top](#)

Excessively complex and inconsistently applied bureaucratic regulations are an impediment to investment and can be a breeding ground for corrupt practices. The lack of transparency in government regulatory decisions has generated complaints from current investors. For unknown reasons, two companies – a brewery and a mobile phone company – were refused licenses in 2009. Although regulatory decisions can impede start-up in particular industries, the normal business registration process has been streamlined by EDBM and generally takes less than two weeks now.

Tax, labor, environment, health, and safety standards are generally not used to impede foreign investment, and there are no informal regulatory processes managed by non-governmental organizations or private sector associations.

Accounting systems are transparent and consistent with international norms, and there are no private sector and/or government/authority efforts to restrict foreign participation in industry standard-setting consortia or organizations.

## **Efficient Capital Markets and Portfolio Investment**

[Return to top](#)

In spite of the general under-development of the banking system, banks are free to support the flow of resources in the product and factors markets. Credit is usually allocated on market terms, and the private sector/foreign investors are able to get credit on the local market. However, many of the EPZ companies use the services of banks in neighboring Mauritius, where the sector is more developed.

There are no cross-shareholding arrangements used by private firms to restrict foreign investment through mergers and acquisitions. There are no visible private sector and/or government efforts to restrict foreign participation in industry or control of domestic enterprises.

Within Malagasy law, there is an effective regulatory system established to encourage and facilitate portfolio investment and the estimated total assets of the country's largest bank are around USD 400 million.

The creation of the Malagasy Bank for Construction and Development (BMCD) planned for 2009 by the ousted president was cancelled. A new bank BGFI (Banque Gabonaise

et Francaise Internationale) has just obtained an agreement and will be operational in 2010.

### **Competition from State Owned Enterprises (SOEs)**

[Return to top](#)

Private enterprises are allowed to compete with public enterprises under the same terms and conditions with respect to access to markets, credit, and other business operations, such as licenses and supplies. The main SOEs are the airline Malagasy Company (AIRMAD) and the Malagasy Water and Energy Company (JIRAMA). SOEs have boards of directors for which seats are specifically allocated to senior government officials or politically-affiliated individuals.

A sovereign wealth fund (SWF) does not exist in the country.

SOEs are required by law to publish an annual report, and they are also required to submit their books to independent audit.

### **Corporate Social Responsibility (CSR)**

[Return to top](#)

There is a lack of general awareness of corporate social responsibility among producers and consumers, but CSR principles are applied by several large, formal sector companies. Although those companies do not follow the OECD Guidelines for Multinational Enterprises, public opinion is favorable regarding those firms who pursue CSR.

### **Political Violence**

[Return to top](#)

During 2009, Madagascar experienced frequent political demonstrations that on occasion became violent. Opposition political meetings are frequently blocked by the administration, and security forces at times use excessive force, sometimes resulting in death or injury, to abrogate the rights of assembly and free speech.

Public safety is fairly adequate, although standard warnings to guard against street crime and theft from vehicles and to minimize or avoid night time road travel apply, particularly in rural areas. Madagascar being an island has no belligerent neighbors.

### **Corruption**

[Return to top](#)

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

**U.S. Foreign Corrupt Practices Act:** In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/docs/dojdocb.html>.

**Other Instruments:** It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. Madagascar is party to the UN Convention against Corruption, the UN Convention against Organized Transnational Criminality, and the African Union Convention against Corruption.

**OECD Antibribery Convention:** The OECD Antibribery Convention entered into force in February 1999. As of December 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. Madagascar has not yet signed the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

**UN Convention:** The UN Anticorruption Convention entered into force on December 14, 2005, and there are 143 parties to it as of December 2009 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is



the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. Madagascar is a party to the UN Convention.

**OAS Convention:** In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 33 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) Madagascar is not party to the OAS Convention.

**Council of Europe Criminal Law and Civil Law Conventions:** Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 46 member States (45 European countries and the United States). As of December 2009, the Criminal Law Convention has 42 parties and the Civil Law Convention has 34 (see [www.coe.int/greco](http://www.coe.int/greco).) Madagascar is not party to the Council of Europe Convention.

**Free Trade Agreements:** While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>.

**Local Laws:** U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.



**Assistance for U.S. Businesses:** The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at [www.trade.gov/cs](http://www.trade.gov/cs).

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at [tcc.export.gov/Report\\_a\\_Barrier/index.asp](http://tcc.export.gov/Report_a_Barrier/index.asp).

**Guidance on the U.S. FCPA:** The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the antibribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at [www.justice.gov/criminal/fraud/fcpa](http://www.justice.gov/criminal/fraud/fcpa). Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html). More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

In Madagascar, complicated administrative procedures introduce delays, uncertainties and multiply the possibilities for corruption. Corruption is most pervasive in the following sectors: justice, police, tax, customs, land, trade, mining, industry, environment, education, and health.

Despite the existence of the Independent Anti-Corruption Bureau (BIANCO), corruption at high levels exists in nearly all sectors.

Smuggling of precious stones and hardwood is increasingly a drain on Madagascar's natural resources, and one that also breeds criminality. In early September, the GOM decided to create a special task force composed of different departments to combat hardwood smuggling, but shortly thereafter it temporarily authorized the export of illegally-felled hardwood to raise revenue, encouraging further pillaging of the forests.

Madagascar created a Financial Intelligence Unit (SAMIFIN) in mid-2008 to carry out research and financial analysis related to money laundering. Despite insufficient

funding, SAMIFIN received 45 suspicious transaction reports in 2009 and referred 10 cases to the public prosecutors.

Giving or accepting a bribe is a criminal act and is sentenced by court.

In 2009, Transparency International ranked Madagascar 99<sup>th</sup> out of 180 countries surveyed, as it scored 3 on the Corruption Perception Index (CPI), indicating a severe corruption problem.

## Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: [http://www.oecd.org/departement/0,3355,en\\_2649\\_34859\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/departement/0,3355,en_2649_34859_1_1_1_1_1,00.html). See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html).
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009](http://www.transparency.org/policy_research/surveys_indices/cpi/2009). TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See [http://info.worldbank.org/governance/wgi/sc\\_country.asp](http://info.worldbank.org/governance/wgi/sc_country.asp). The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://go.worldbank.org/RQQXYJ6210>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of

the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See

<http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm>.

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

## **Bilateral Investment Agreements**

[Return to top](#)

According to ICSID (International Center for the Settlement of Investment Disputes) and UNCTAD, Madagascar has concluded bilateral investment agreements with Switzerland, Sweden, Norway, Mauritius, Germany, France, Thailand, Belgium, China, and Canada. Also, Madagascar has signed double taxation treaties with France and Mauritius. The Malagasy government had expressed interest in negotiating a bilateral investment treaty with the U.S. Initial discussions began in late 2008, but stalled due to the unconstitutional change of government in March 2009.

## **OPIC and Other Investment Insurance Programs**

[Return to top](#)

On March 31, 1998, OPIC and Madagascar signed a bilateral Investment Incentive Agreement, which updates the old agreement of 1963.

Madagascar is a member of the MIGA (Multilateral Investment Guarantee Agency). The average annual exchange rate for 2009 was 1956 ariary per one USD. As of January 2010, the ariary had depreciated to around 1974 per one USD. To the benefit of Malagasy exporters, further depreciation is expected in 2010.

## **Labor**

[Return to top](#)

Madagascar has a significant pool of available labor, due to the combined impact of unemployment and under-employment. Private sector wages have been relatively stable and are below those in most competitor countries; indeed, this fact, combined with the high quality of much Malagasy labor, may constitute the country's strongest asset for foreign investors. The minimum wage for the non-agricultural private sector in 2009 was 70,025 ariary per month, approximately USD 36. The Constitution and Labor Code grant workers in the private and public sectors the right to establish and join labor unions, and to bargain collectively. The National Labor Code and implementing legislation prescribe working conditions, wages, and standard for worksite safety. As a

member of the ILO (International Labor Organization), Madagascar adheres to the ILO convention protecting workers rights.

### **Foreign-Trade Zones/Free Ports**

[Return to top](#)

The incentives available in the Export Processing Zone (EPZ) are described in "Performance Requirements and Incentives". There is no distinction between foreign and domestically owned firms in terms of eligibility for EPZ treatment, which has been granted by the EDBM since December 2007. Again, as stated earlier, EPZ incentives will be offered only through December 2010, but pre-existing EPZ firms will maintain their incentives and status beyond that date.

### **Foreign Direct Investment Statistics**

[Return to top](#)

According to a World Bank survey, Madagascar is among the 50 most difficult countries in the world in which to conduct business. The main reasons are the weaknesses of the judicial system and the banking system (high interest rates and unavailability of credit), the high cost and low quality of electric power, high tax rates, red tape, corruption, a lack of transparency in decision-making, and the high costs of ground and air transport.

According to Central Bank figures, in 2008, FDI inflows to Madagascar amounted to USD 1.12 billion, or 11.8 percent of GDP compared to 10.5 percent in 2007. Despite an increase of 31 percent between 2007 and 2008, the actual FDI inflows in 2008 were 76 percent lower than previously projected. FDI flows were concentrated in the following sectors: extractive industry (USD 958.5 million or 85.5 percent), telecommunications (USD 86.5 million or 7.71 percent) and vehicle trading (USD 24.8 million or 2.22 percent). The main countries of origin of FDI flows were respectively: United Kingdom (USD 563.3 million or 50.3 percent), Canada (USD 260.6 million or 23.2 percent), Bahrain (USD 71.2 million or 6.4 percent), Japan (USD 62.2 million or 6 percent), and South Korea (USD 57.6 million or 5.1 percent). Bahraini investments were concentrated in the telecommunication sector with Life investing in the mobile telephone sector. Life plans to become the fourth mobile operator in the country, but is not yet operational due to a dispute regarding its license.

Central Bank statistics indicate that total FDI stock amounted to USD 3.12 billion in 2008 compared to USD 1.99 billion in 2007, an increase of 56 percent. Between 2005 and 2008, FDI stock increased tenfold due to investment in the extractive industry triggered mainly by the ilmenite investment project of QIT Madagascar Mineral (Rio Tinto) and by the nickel and cobalt investment project of Ambatovy, a joint venture including Sherritt International, SNC-Lavalin, Sumitomo Corporation, and Korea Resources Corporation. FDI stock in the extractive industry represented 73 percent of the total, followed by building and public works (5.6 percent), telecommunications (4.4 percent), and financial services (3.9 percent).

FDI flows from the U.S. amounted to USD 12.9 million in 2008 which represents 1.15 percent of the total. If one considers only non-extractive industry FDI, the U.S. represents 7.95 percent of the total. U.S. investment covers a broad spectrum of sectors including oil exploration, apparel, mining, and handicrafts.

During the first three quarters of 2009, FDI inflows to the country amounted to USD 954 million, mainly to support pre-existing mining projects. This represents a 17 percent decrease from the same time period in 2008, during which FDI amounted to USD 1.15 billion. Most potential private investors have put new projects on hold pending greater political stability. Foreign donors have suspended most of the external financing which represented nearly 70 percent of the government's investment expenditure, thus public investment projects are stalled as well. Once the political situation stabilizes, several additional large mining projects, particularly in coal and bauxite, are expected to be developed. In the long term, the agribusiness sector has the potential to attract sizable, job-generating investments, particularly in palm oil, corn and sugar, but land tenure complications have deterred such investment to date. Tourism also has the potential to attract foreign investment, but the industry has also been hampered by the political crisis which has reduced the number of visitors to the island.

#### **Web Resources**

[Return to top](#)

(See Chapter 9)

[Return to table of contents](#)

## **Chapter 7: Trade and Project Financing**

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
- [Web Resources](#)

#### **How Do I Get Paid (Methods of Payment)**

[Return to top](#)

Methods of payment are usually through banks by open account, letter of credit, cash in advance, or by documentary collection. The banking system consists of eight commercial banks. European banking institutions hold a controlling interest in four banks: Banque Malgache de l'Océan Indien (BMOI), BNI-Crédit Agricole (BNI-CA), BTM-BOA, and BFV-SG. Union Commercial Bank (UCB) and State Bank of Mauritius (SBM) are branches of Mauritian parent companies of the same name. The Honk-Kong group Gahood Holding International Ltd. owns 70 percent of the shares of BICM bank. The German group Access Holding owns the Access Bank Madagascar. For those banks, financial statements are in compliance with international standards and audits are performed both by local and internationally recognized firms. The creation of the Malagasy Bank for Construction and Development (BMCD) planned for 2009 by the ousted president was cancelled. A new bank, Banque Gabonaise et Française Internationale (BGFI), obtained its agreement in 2009 and should be operational in 2010.

The central bank adopted a new automated payment and clearing system for the banking sector in October 2009. The new system is aimed at streamlining the payment

and compensation procedures, reducing costs and improving confidence in the payment instruments.

### **How Does the Banking System Operate**

[Return to top](#)

Madagascar has relatively rudimentary financial markets and a very low rate of bank penetration. High interest rates, stringent requirements for collateral and guarantees, limited competition among banks, and reluctance to finance foreign trade or working capital even when secured by letters of credit make financing very expensive and difficult to access. The difficulty of increasing working capital through bank borrowing is a severe constraint on local firm's ability to expand. Banks maintain that many prospective borrowers lack reliable and transparent balance sheets and that long-term financing is difficult because they lack a long-term deposit policy. A substantial portion of domestic credit is effectively extended to the public sector because banks invest surplus funds in largely risk-free government treasury bills (bons de trésor). Only well-known and significant operators can get credit in Madagascar. The credit granted is mainly for the purchase of traditional agricultural products such as vanilla, coffee, and cloves. In case of pre-financing by foreign importers, local exporters still have to pay high interest rates to their banks. Generally speaking, the financing possibilities that are available to local firms are quite limited.

### **Foreign-Exchange Controls**

[Return to top](#)

Since May 1994, an inter-bank foreign exchange market (MID) has set daily the rate of the Malagasy currency (MGA). At the end of July 2005, the organization and the operation of the inter-bank foreign exchange market were improved by the adoption of a continuous system of quotation of the two main currencies of reference, the USD and the EURO. Since 1996, the GOM has lifted all restrictions on current payment and transfers and has accepted the obligations of Article VII of the IMF Articles of Agreement to abolish exchange controls. However, on July 11, 2004, following the huge depreciation of the Malagasy currency, the GOM adopted a law stating that residents are not authorized to transfer foreign currency to another foreign currency bank account unless within the MID. However, between EPZ companies, foreign currency transfers are allowed.

### **U.S. Banks and Local Correspondent Banks**

[Return to top](#)

BMOI:

- French American Bank/New York
- Dresdner Trust/New York

BNI-CA:

- Bankers Trust/New York
- Bank of New York
- American Express International Bank/New York
- Chase Manhattan Bank/New York

BTM-BOA:

- Citibank/New York



- Bank of New York
- Bankers Trust/New York

UCB: Citibank/New York

BFV-SG:

- Bank of New York
- Bank of America/San Francisco
- French American Bank/New York

SBM:

- Citibank/New York
- Bankers Trust/New York

## **Project Financing**

[Return to top](#)

The GOM supports the establishment of credit unions and other suitable credit facilities and encourages creditors and donors to harmonize their efforts in this field. The World Bank, the European Union, the USTDA, and the African Development Bank have funded many infrastructure and other development projects.

In March 1998, an agreement was signed between OPIC and the GOM to facilitate U.S. investment in the country.

In June 2004, the International Finance Corporation (IFC) of the World Bank created an SME (Small and Medium Enterprise) Solution Center to address credit access of local SMEs. Between 2005 and 2009, the GOM, with financing from an MCA compact, implemented banking sector reform and promoted access to microcredit.

## **Web Resources**

[Return to top](#)

Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: [http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

Multilateral Development Banks web resources:

World Bank: <http://www.worldbank.org/madagascar>

IFAD (agribusiness promotion): <http://www.ifad.org/french/operations/pf/mdg/index.htm>  
UNIDO (industry): <http://www.unido.org/office/madagascar>  
African Development Bank: <http://afdb.org/en/countries/southern-africa/madagascar>  
IFC: <http://madagascar.smetoolkit.org/madagascar/en>

Economic Development Board of Madagascar (for potential investors):  
<http://www.edbm.gov.mg>

Project for Mineral Resources (for potential investors in the mining sector):  
<http://www.pgrm.mg>

[Return to table of contents](#)

## Chapter 8: Business Travel

- [Business Customs](#)
- [Travel Advisory](#)
- [Visa Requirements](#)
- [Telecommunications](#)
- [Transportation](#)
- [Language](#)
- [Health](#)
- [Local Time, Business Hours and Holidays](#)
- [Temporary Entry of Materials and Personal Belongings](#)
- [Web Resources](#)

### Business Customs

[Return to top](#)

Laws and common business practices are based on the European, particularly French, business style.

### Travel Advisory

[Return to top](#)

For further information about visa requirements and travel information, the following State Department web site is available: <http://travel.state.gov>

### Visa Requirements

[Return to top](#)

A visa is required for entry into Madagascar and can be obtained at the airport for stays of less than 30 days. See U.S. Department of State and GOM's websites for visa information.



U.S. companies that require travel of foreign businesspersons to the United States should be advised that security reviews are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

Consular Section website Antananarivo: <http://antananarivo.usembassy.gov>

## **Telecommunications**

[Return to top](#)

Internet is accessible in hotels and at cyber cafes of major towns. There are three cellular phone companies: ZAIN, ORANGE and TELMA using GSM system.

## **Transportation**

[Return to top](#)

Air transportation is the best way to get to the country. Maritime transport is mainly used for local transportation around the island, and to the Indian Ocean Islands (Mauritius, Seychelles, Comoros, and Reunion). Visitors to the capital city of Antananarivo or other cities can easily find taxis. Taxi fares are relatively low but taxis typically do not meet U.S. safety standards.

Railway transport is available but with limited links.

Rental cars are available but can be quite expensive depending on the vehicle type, and non-residents are usually required to hire a chauffeur.

Commercial air service is available to major cities and resorts in the country. Private air charters can be arranged to various destinations.

International express delivery is now available from UPS, DHL, and TNT.

## **Language**

[Return to top](#)

In 2007, Madagascar adopted English as an official language, along with Malagasy and French. English is, however, not widely spoken. French is the common language of business.

## **Health**

[Return to top](#)

Visitors to Madagascar are advised to obtain vaccinations against polio, hepatitis A and B, tetanus, diphtheria, typhoid, and those who will be working in the rural areas, rabies. Malaria medication is not necessary in Antananarivo but should be taken if traveling to other (lower elevation) areas of the island. Visitors are strongly urged to purchase medevac insurance prior to arrival. Local hospitals do not conform to U.S. standards,

especially for emergency care, and evacuation to South Africa or Mauritius is expensive. In the event of a medical emergency, visitors should ask to be taken to the Polyclinique Ilafy and should notify the Embassy Consular Section at:  
<http://www.antananarivo.usembassy.gov>.

### **Local Time, Business Hours, and Holidays**

[Return to top](#)

The Malagasy Time Zone is Greenwich plus three. When it is noon EST in Washington, it is 8 PM in Madagascar. The typical hours of business are from 8:30 to 17:00 with lunch break between 12:00 and 13:00.

2010 Holiday schedule:

- Monday March 29 Day Commemorating Martyrs
- Monday April 05 Easter Monday
- Thursday May 13 Ascension Day
- Monday May 24 Pentecost Monday
- Monday November 1 All Saints Day

### **Temporary Entry of Materials and Personal Belongings**

[Return to top](#)

When not imported for sale, goods may be admitted into the country without the payment of duty.

### **Web Resources**

[Return to top](#)

(See Chapter 9)

[Return to table of contents](#)

## **Chapter 9: Contacts, Market Research, and Trade Events**

- [Contacts](#)
- [Market Research](#)
- [Trade Events](#)

### **Contacts**

[Return to top](#)

#### **Government Agencies**

EDBM (Economic Development Board of Madagascar)  
Immeuble EDBM, Antaninarenina  
Antananarivo 101 – Madagascar

Tel: (261 20) 22 670 40  
Fax: (261 20) 22 661 05  
Website: [www.edbm.gov.mg](http://www.edbm.gov.mg)  
E-mail: [edbm@edbm.mg](mailto:edbm@edbm.mg)

Prime Minister's Office  
P.O. Box 248  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 246 04  
Fax: (261 20) 22 548 40  
Website: [www.madagascar.gov.mg](http://www.madagascar.gov.mg)

Ministry of Finance and Budget  
P.O. Box 61  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 336 30  
Fax: (261 20) 22 345 30  
Website: [www.mefb.gov.mg](http://www.mefb.gov.mg)

Ministry of Economy and Industry  
P.O. Box 527  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 291 28  
Fax: (261 20) 22 277 90  
Website: [www.meci.gov.mg](http://www.meci.gov.mg)

Ministry of Energy  
P.O. Box 257  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 595 62  
Fax: (261 20) 22 325 54  
Websites: [www.energy.gov.mg](http://www.energy.gov.mg)

Ministry of Mining  
Ampanandrianomby  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 418 22  
Website: [www.mines.gov.mg](http://www.mines.gov.mg)

Ministry of Agriculture  
P.O. Box 842  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 247 10  
Fax: (261 20) 22 265 61  
Website: [www.maep.gov.mg](http://www.maep.gov.mg)

Ministry of Transportation  
P.O. Box 4139  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 246 04

Fax: (261 20) 22 356 26  
Website: [www.mtpm.gov.mg](http://www.mtpm.gov.mg)

Ministry of Public Works  
P.O. Box 295  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 232 15  
Fax: (261 20) 22 208 90  
Website: [www.mtpm.gov.mg](http://www.mtpm.gov.mg)

Ministry of Telecommunications and Post  
Antaninarenina  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 232 67  
Fax: (261 20) 358 94  
Website: [www.mtpc.gov.mg](http://www.mtpc.gov.mg)

Ministry of Environment and Forestry  
Antsahavola  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 668 05  
Fax: (261 20) 22 345 10  
Website: [www.meefm.mg](http://www.meefm.mg)

Central Bank of Madagascar  
P.O. Box 550  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 217 51  
Fax: (261 20) 22 345 32  
Website: [www.banque-centrale.mg](http://www.banque-centrale.mg)

Madagascar Embassy in the United States of America  
2374 Massachusetts Avenue  
Washington D.C 20008  
USA  
Tel: 202 265 55 25  
Fax: 202 265 30 34  
E-mail: [Malagasy@embassy.org](mailto:Malagasy@embassy.org)

## **COUNTRY BUSINESS ASSOCIATIONS**

AMCHAM MADAGASCAR  
c/o Madagascar Oil Company  
Espace de Verre, Ankorondrano  
Antananarivo 101 – Madagascar  
E-mail: [Am\\_Cham\\_Mada@hotmail.com](mailto:Am_Cham_Mada@hotmail.com)

Chambre de Commerce, d'Industrie d'Antananarivo  
P.O. Box 166  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 202 11

Fax: (261 20) 22 202 13  
Website: [www.tana-cciaa.org](http://www.tana-cciaa.org)

FIVMPAMA (Association of Malagasy Businessmen)  
12, rue Rainizanabolona, Antanimena  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 690 78  
Fax: (261 20) 22 320 56  
E-mail: [fivmpama@moov.mg](mailto:fivmpama@moov.mg)

GEM (Grouping of Enterprises of Madagascar)  
P.O. Box 1695  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 238 41  
Fax: (261 20) 22 219 65  
Website: [www.gem-madagascar.com](http://www.gem-madagascar.com)  
E-mail: [gem@iris.mg](mailto:gem@iris.mg)

SIM (Union of Industries of Madagascar)  
Immeuble Holcim, Tsaralalana  
Antananarivo 101 – Madagascar  
Tel: (261 20) 240 07  
Fax: (261 20) 22 225 18  
Website: [www.sindusmad.com](http://www.sindusmad.com)  
E-mail: [syndusmad@moov.mg](mailto:syndusmad@moov.mg)

GEFP (Grouping of Export Processing Zone companies (EPZ)  
Village E2 – Village des Jeux  
Ankorodrano  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 380 50  
Fax: (261 20) 22 403 73  
Website: [www.gefpmg.com](http://www.gefpmg.com)  
E-mail: [gefpmg@moov.mg](mailto:gefpmg@moov.mg)

## **COUNTRY MARKET RESEARCH FIRMS**

GAMA Consult  
Immeuble ARO  
Antsahavola  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 238 52  
Fax: (261 20) 22 238 88  
Website: [www.gamaconsult.com](http://www.gamaconsult.com)  
E-mail: [gamaconsult@moov.mg](mailto:gamaconsult@moov.mg)

FTHM Conseils  
Immeuble ARO  
Antsahavola  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 631 87

Fax: (261 20) 22 337 20  
E-mail: [fthm@moov.mg](mailto:fthm@moov.mg)

ATW Consultants de Madagascar  
Lot II Y 9F, Antanimora  
Antananarivo 101 – Madagascar  
Tel/Fax: (261 20) 22 345 98  
E-mail: [atw@moov.mg](mailto:atw@moov.mg)

R Conseil  
P.O. Box 8301  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 432 79  
Fax: (261 20) 289 97  
E-mail: [rconseil@moov.mg](mailto:rconseil@moov.mg)

## Web Resources

[Return to top](#)

### USEFUL WEBSITES

Presidency: [www.presidency.gov.mg](http://www.presidency.gov.mg)  
Government: [www.madagascar.gov.mg](http://www.madagascar.gov.mg)  
Data bank: [www.instat.mg](http://www.instat.mg)  
Tourism: [www.tourisme-madagascar.com](http://www.tourisme-madagascar.com)  
Investment: [www.edbm.gov.mg](http://www.edbm.gov.mg) or [www.bni.mg](http://www.bni.mg)  
General/Economy: [www.madagascar-contacts.com](http://www.madagascar-contacts.com)  
General information: [www.sobika.com](http://www.sobika.com) or [www.madagate.com](http://www.madagate.com) or [www.moov.mg](http://www.moov.mg)

The Governance Project for Mineral Resources (PGRM) is a good source for potential investors in the mining sector: [www.pgrm.mg](http://www.pgrm.mg).

## Market Research

[Return to top](#)

To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

## Trade Events

[Return to top](#)

Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents.html>

[Return to table of contents](#)

## Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

<http://www.buyusa.gov>

The Commercial Section of the U.S. Embassy of Antananarivo is working closely with Johannesburg FCS to conduct the following services:

- Gold Key
- IPS (International Partner Search)
- ICP (International Company Profile)
- Advocacy
- Market surveys

Please click on the links below:

<http://www.export.gov/africa/>

<http://www.buyusa.gov/southafrica/en/servicestouscompanies.html>

[Return to table of contents](#)

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

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